MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BAC3634 – CORPORATE ACCOUNTING 1
(All sections / Groups)

26 MAY 2017
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6)** pages excluding the cover page with **FOUR (4)** Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.
3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

A) The financial statements of Kiwi Bhd, Lime Bhd and Melon Bhd as at 31 December 2016 were as follows:

Statements of Financial Position as at 31 December 2016

	Kiwi Bhd (RM)	Lime Bhd (RM)	Melon Bhd (RM)
Land	1,500,000	640,000	460,000
Plant and machinery	280,000	430,000	170,000
Investments in Lime at cost:			
Ordinary shares	1,000,000	-	-
10 percent non-redeemable preference shares	50,000	-	-
Investment in Melon at cost:			
Ordinary shares	240,000	-	-
Inventories	30,000	140,000	60,000
Trade receivables	60,000	60,000	48,000
Bank	120,000	50,000	40,000
	3,280,000	1,320,000	778,000
Ordinary share capital at RM1 each	2,700,000	900,000	600,000
10 percent non-redeemable preference shares	200,000	100,000	-
Retained profit	136,000	140,000	120,000
Trade payables	244,000	180,000	58,000
	3,280,000	1,320,000	778,000

Additional information:

a) Kiwi acquired 80% of Lime's ordinary shares and 50% of Lime's preference shares on 1 January 2014 when the balance in the retained profit of Lime was RM100,000. The fair value of the land of Lime was RM20,000 higher than the carrying amount on the acquisition date.

b) The fair value of the non-controlling interest of Lime on the acquisition date was RM320,000. The policy of Kiwi is to recognise the non-controlling interest at fair value.

c) Kiwi has a one-third interest in Melon as from 1 January 2015 when the retained profit of Melon was RM90,000. Melon is classified as joint venture and Kiwi has joint control in Melon.

d) Goodwill on consolidation for Lime was impaired by RM20,000. The impairment loss on the investment in joint venture is RM14,000.

e) On 1 January 2015, Lime sold a plant with a carrying value of RM80,000 for RM85,000 to Kiwi. Remaining useful life of the plant on that date was 5 years.

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f) During the year 2016, Kiwi sold inventories costing RM10,000 for RM11,000 to Lime. Lime has not sold any of these goods.

g) Both Kiwi and Lime have not provided for preference dividends for year 2016. Dividends are paid on paid-up capital.

h) Included in the receivables of Kiwi were RM4,000 due from Lime and RM6,000 from Melon. Lime shows an amount due to Kiwi of RM2,000, and the difference is due to cash in transit.

Required:
In accordance with the requirements of MFRS 10 *Consolidated Financial Statements,* prepare the consolidated statement of financial position as at 31 December 2016.

(20 marks)

B) Distinguish between control and ownership by reference to the consolidated statement of financial position prepared in (A) in accordance with MFRS 3 *Business Combinations*, MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures.*

(5 marks)

(Total: 25 marks)

QUESTION 2 (25 MARKS)

A) Below are the statements of financial position of three companies as at 31 December 2016.

	Ary Bhd (RM)	Bae Bhd (RM)	Cara Bhd (RM)
Non-current assets			
Land	2,000,000	200,000	180,000
Property, plant and equipment	880,000	40,000	100,000
Investments in group companies	740,000	400,000	-
	3,620,000	640,000	280,000
Current assets	700,000	380,000	360,000
	4,320,000	1,020,000	640,000
Equity			
Ordinary share capital (RM1 each)	1,600,000	400,000	200,000
Retained profit as at 1 January 2016	2,000,000	320,000	180,000
Profit for the year	240,000	40,000	80,000
	3,840,000	760,000	460,000

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Current liabilities	480,000	260,000	180,000
	4,320,000	1,020,000	640,000

Additional information:

a) Ary Bhd acquired 60% of the share capital of Bae Bhd on 1 January 2009 and 10% of Cara Bhd on 1 January 2010. The cost of the combinations were RM568,000 and RM172,000 respectively.

b) Bae Bhd acquired 80% of the share capital of Cara Bhd on 1 January 2010.

c) The retained profits of Bae Bhd and Cara Bhd were:

	1 January 2009 (RM)	1 January 2010 (RM)
Bae Bhd	180,000	240,000
Cara Bhd	120,000	160,000

The fair value of Bae Bhd and Cara Bhd's lands were:

	1 January 2009 (RM)	1 January 2010 (RM)
Bae Bhd	300,000	320,000
Cara Bhd	180,000	200,000

d) There were no additions or disposals of land to date.

e) It is the group's policy to value the non-controlling interest at acquisition at its proportionate share of the fair value of the subsidiary's identifiable net assets.

f) During the year ended 31 December 2016, Bae Bhd sold a plant costing RM20,000 for RM40,000 to Ary Bhd. The remaining economic life of the plant is 10 years. The plant is depreciated using straight line method.

g) Included in the current assets of Ary Bhd is RM120,000 due from Bae Bhd. However, Bae Bhd has remitted RM10,000 on 31 December 2016 which Ary Bhd received on 2 January 2017.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, prepare the consolidated statement of financial position of Ary Group as at 31 December 2016.

(20 marks)

B) Sha Bhd acquired 25% of the issued equity capital of Lala Bhd on 1 January 2015. A further 35% of Lala Bhd was acquired by Sha Bhd on 1 January 2016. Appraise the scenario with regards to status of investee, goodwill calculation and the impact on consolidated financial statements.

(5 marks)

(Total: 25 marks)

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QUESTION 3 (25 MARKS)

A) The statements of profit or loss of Akia, Ikia and Okia for the year ended 31 December 2016 are as follows:

	Akia	Ikia	Okia
	RM('000)	RM('000)	RM('000)
Turnover	10,000	4,000	8,000
Cost of sales and expenses	(4,000)	(1,000)	(3,000)
Profit before tax	6,000	3,000	5,000
Other income	4,500	-	3,800
Dividend income from quoted investments	500	-	200
Dividend income from Okia	480	-	-
Taxation	(2,000)	(1,000)	(1,600)
	9,480	2,000	7,400
Dividends paid	1,000	-	800
Retained profit b/f	5,000	3,000	4,600

Additional information:

a) Akia acquired 1,600,000 of 2,000,000 (RM1 each) of issued ordinary share capital of Ikia on 1 January 2012 for RM3,000,000 when the retained profit account of Ikia had a credit balance of RM1,000,000. The carrying value of the net assets reflected the fair value. As at 1 January 2016, RM400,000 goodwill has been written off.

b) Akia acquired 60 percent of the issued ordinary share capital of Okia on 1 January 2009 when its retained profit had a credit balance of RM600,000.

c) On 1 January 2009, the fair value of a depreciable non-current asset of Okia was RM200,000 but its carrying amount was RM180,000. The remaining life of the asset is 10 years. Okia did not incorporate the fair value in its accounts.

d) On 1 October 2016, Akia disposed of all its shares in Ikia for RM6,000,000. The buyer promised to pay in year 2017. Akia has recorded the cash receivable in the sundry assets.

e) Non-controlling interest is not measured at fair value.

f) During the current year, Okia sold inventory costing RM3,000 for RM5,000 to Akia. Akia sold half of the inventories.

Required:

In accordance with the requirements of MFRS 3 *Business Combinations* and MFRS 10 *Consolidated Financial Statements:*

i) Prepare the consolidated statement of profit or loss for the year ended 31 December 2016. (19 marks)

ii) Calculate the retained profits of the group as at 31 December 2016. (6 marks)

(Total: 25 marks)

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QUESTION 4 (25 MARKS)

A) Consolidated Statements of Financial Position of Syila Group as at 31 December

	2016	2015
	RM('000)	RM('000)
Non-current assets	97,160	73,500
Investment in associate companies	13,300	11,200
Inventory	12,600	16,800
Trade receivables	9,800	10,500
Bank	11,900	2,800
	144,760	114,800
Ordinary share capital	63,000	53,200
Retained profits	55,160	28,000
Non-controlling interest	11,200	16,800
	129,360	98,000
Tax payable	700	1,400
Dividends payable	7,000	5,600
Trade payables	7,700	9,800
	144,760	114,800
	('000)	('000)
Number of ordinary shares	49,000	42,000

Consolidated Statements of Profit or Loss for the year ended 31 December 2016

	2016
	RM('000)
Profit before tax (including gain on disposal of subsidiary and non-current assets)	42,000
Share of profits of associate	2,800
Profit before tax	44,800
Tax-holding company and subsidiary	(7,000)
Profit after tax	37,800
Profit after tax attributable to:	
Equity holders of Syila Bhd	34,160
Non-controlling interest	3,640
	37,800
Dividends proposed and provided by Syila Bhd	7,000

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Additional information:

a) Profit before tax includes a depreciation charge of RM4,900,000, gain on the sale of subsidiary and gain on the disposal of non-current assets.
b) Non-current assets of carrying amount RM11,200,000 were sold for cash of RM14,000,000.
c) During the year 2016, Syila Bhd disposed of its 75 percent owned subsidiary, Syina Bhd, for RM36,400,000. The sale price was settled in cash. On that date, the net assets of Syina Bhd were as follows:

	RM ('000)
Non-current assets	28,000
Inventory	2,800
Trade receivables	1,400
Bank	4,200
Trade payables	(1,400)
Non-controlling interest	(8,750)
	26,250

d) All goodwill on consolidation was written off.

Required:

i) Prepare the consolidated cash flow statement for the year ended 31 December 2016 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(20 marks)

ii) Syila Group's Return on Capital Employed (ROCE) and Return on Assets (ROA) for 2015 were 25 percent and 45 percent respectively. Calculate Syila Group's ROCE and ROA for year 2016 and analyse Syila Group's profitability in year 2016.

(5 marks)

(Total: 25 marks)

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